

# The Town of Barnstable

## Comprehensive Financial Advisory Committee (CFAC)

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### CFAC Committee:

#### Chair:

Laura Cronin

#### Members:

Robert Ciolek  
Cythia Crossman  
Ralph Krau  
Henry McClean  
Jacqueline Michelove  
Gregory Plunkett  
Lillian Woo  
John Schoenherr

#### Staff Liaison:

Mark Milne

#### Councilor Liaison:

John T. Norman

### CFAC MEETING MINUTES

02.23.15

7:00 PM

#### Growth Management Conference Room

CFAC Members Present: Cynthia Crossman, Ralph Krau, John Schoenherr, Jacqueline Michelove, Laura Cronin

CFAC Members Absent: Gregory Plunkett, Robert Ciolek, Henry McClean, Lillian Woo

Councilors Present: None

Staff Present: Mark Milne, Nathan Empey, Dan Santos

#### 1. Call to Order

Laura Cronin called the CFAC meeting to order at 7:00 PM in the Growth Management Conference Room of Town Hall.

#### 2. Act on Minutes

The following minutes were approved by unanimous vote:

01.12.15

### 3. Communication from Committee Members/Councilors and Staff

Laura noted on Feb 7<sup>th</sup> Town Council's meeting she presented CFAC highlights regarding annual report review changes. She was also thanked by the council and commented positively for having a full staff.

### 4. Old Business

### 5. New Business

DPW Capital Improvement Project submission discussions were provided by Dan Santos  
Project Summaries

- Dan noted that DPW submitted 27 projects for the Capital Improvement program this year.
- The DPW Enterprise Funds submitted 12 projects
- Recent legislation (Chp 339 Acts of 2014) allows the Town of Barnstable under the premise of ensuring the public's safety to make expenditures for private ways. The Private Road projects will repair Mary Dunn, Wakeby, Old Strawberry Hill, and High Street roads. These repairs have a potential lifespan of 5 years. Mark noted the Town is not taking ownership of these roads and that they will remain private. Also, no betterment charges will be assessed.
- The DPW receives annually \$3.2 million in highway repairs for maintenance and drainage. The goal of this recurring initiative is to improve the average condition of the roads overtime. There is currently 250 miles of public roads which equates to an estimated average cost of \$1 million in repair costs per mile.
- School Zone Traffic lights project will repair 11 locations and modify with solar and led lighting. These devices are also capable of monitoring and collecting useful data for DPW regarding traffic usage.

Suggestions & takeaways

- We the Committee noted winter repercussions may impact DPW's operating budget. Significant costs go into the cleanup and management of snow and ice removal. These costs are often hard to predict, and therefore, they can have a negative impact on operating budgets. Historically, the state has provided roughly \$300,000 in support for these initiatives.
- Committee noted fleet impacts during snow and ice removal. Significant maintenance cost and vehicle deterioration. Discussions around this topic involved the advantages to purchasing used over new vehicles given their rapid depreciation. Dan mentioned you could buy multiple used dump trucks for the price of one new truck.

Mark discussed his' Budget Presentation: "A Review of the Financial Condition of the Town". This was an introductory review of the financial condition of the Town.

#### Takeaways

- Statement of net position shows that most of the Town's financial assets are tied up in capital assets.
- OPEB & Pension liabilities will soon be reflected on the Statement of Net Position as per Governmental Accounting Standards Board (GASB) ruling. Currently, these liabilities are represented in the footnotes of the financials. Mark noted that even with the changes Barnstable will still be showing a positive net asset position. These changes could cause some other municipalities to experience upside-down financial statements (Negative net asset positions).
- Education experienced the largest dollar expenditure increase amongst departments.
- Enterprise Funds is an accounting tool used to measure the cost recovery of separate operations.
- The Meals & Room Tax is a significant source of revenue for the sewer enterprise fund. This tax was originally dedicated to support the expansion of public sewers. Recent changes have reclassified this taxing source to incorporate private roads. Mark noted we're expecting big changes in the presentation of the financial statements due to the reclassification as a new Trust Fund will need to be created.
- The Town is currently using about 1/3 of its taxing capacity based on proposition 2½.
- Employee benefits are experiencing continued annual increases due to pension and healthcare cost.
- Mark noted potential changes in formula calculations of the CH70 state educational spending requirements. The Town of Barnstable already exceeds the minimum spending requirements under the formula.
- New property tax growth is limited due to the limited inventory of vacant land in town and the ability to subdivide vacant land. Property taxes are the largest sources of revenue for the Town.

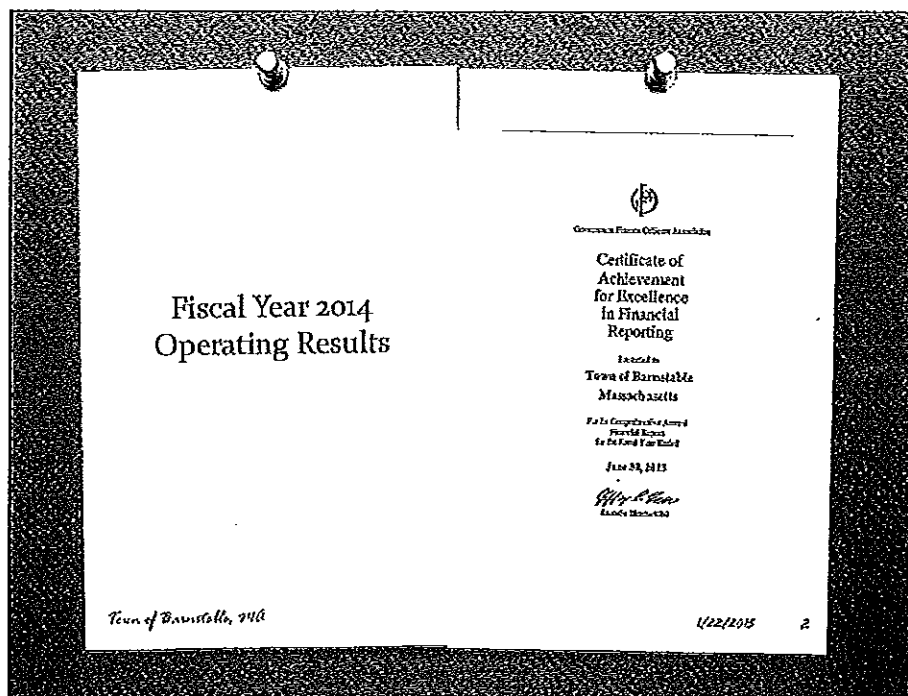
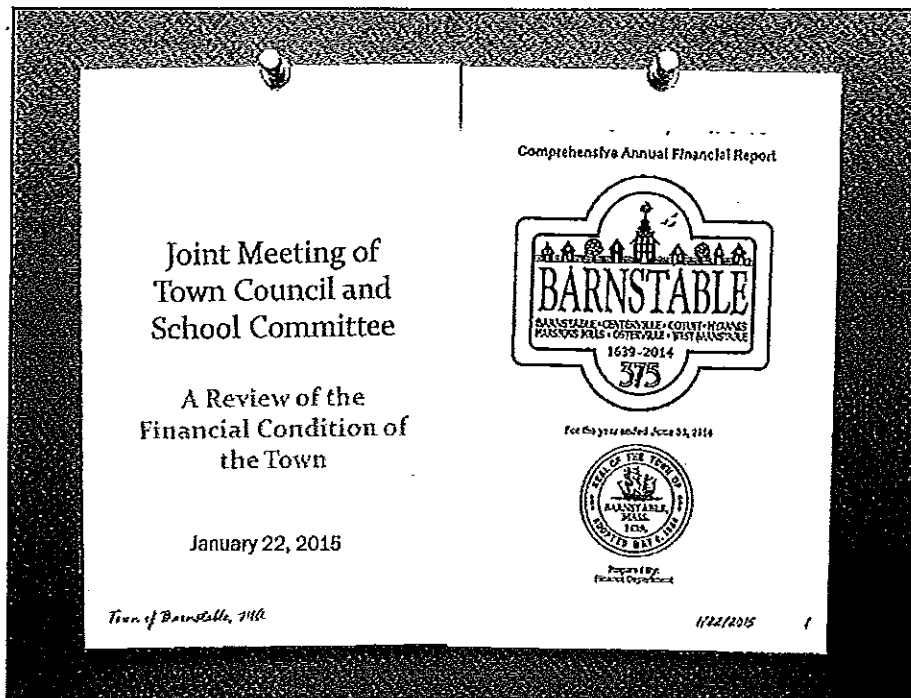
#### 6. Discussion

Mark noted next meeting topic of discussion will be Capital Trust Fund and 2014 Mass Permit Changes and Community Impacts.

The meeting adjourned at 8:30 p.m.

Next Meeting: CFAC will have its next meet on Monday, March 09, 2014 @ 7 p.m. at the Growth Management Conference Room, 3<sup>rd</sup> Floor, Town Hall.





## FY 2014 Financial Highlights Statement of Net Position

- o Town assets exceed liabilities by \$420 million
- o \$327 million of the Town's net assets are capital assets
- o \$62 million of the Town's net assets are unrestricted
- o Cash and Investments total \$131 million
- o Current liabilities total \$35 million
- o Bonds payable = \$111.6 million, a decline \$6.7 million
- o OPEB liability increased to \$40 million
- o Unfunded pension obligation ~ \$88 million

Refer to Page 41 of the CAER

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## FY 2014 Financial Highlights Statement of Activities

- o Net assets increased in FY14 by \$19 million
- o Education expenses total \$98 million -- increase of \$2 million
- o Public Works expenses increased \$3.5 million
- o Operating and capital grant revenue totaled \$44 million - \$28 million was for education
- o Property tax revenue increased \$3.5 million to \$103.2m
- o Gain on the sale of capital assets was \$3.8 million
- o Excise tax revenue increased \$763,000 to \$7 million

Refer to pages 44 and 45 of the CAER

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## FY14 General Fund Highlights

- o Positive budgetary revenue variance of \$4.9 million
- o Used \$3.4 million of surplus to balance capital and operating budgets
- o Intergovernmental revenue grew \$2.4 million
- o General Fund expenditures were \$4.8 million more than FY13 - pension benefits increased the most by \$1.5 million
- o The General Fund's fund balance increased by \$2.5 million
- o Fund balance in the General Fund at the close of FY14 was \$35 million or 25% of general fund expenditures

Refer to pages 46, 48 and 49 of the CAFR

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## Enterprise Funds

- o This is an accounting tool
- o Segregates all financial activity for certain municipal services
- o Can be used for municipal services in which a fee is charged
  - o Public utilities - water, sewer, trash disposal
  - o Recreation type facilities - skating rinks, pools, golf courses, marinas
  - o Transportation facilities - airports
  - o Health care - ambulance service, nursing homes
- o Advantages of adopting
  - o Identifies a total service cost
  - o Provides useful management information
  - o Retains investment income and surplus
  - o Allows (does not require) placement of total cost of service on users
- o Can include a general fund subsidy

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## FY 2014 Operating Results – Enterprise Funds

Fund	Budgetary Basis Surplus Generated (Used)	Accrual Basis (CAFR) Change in Net Position
Airport	(\$447,000)	\$3,378,000
Golf	\$88,000	\$92,000
Solid Waste	(\$221,000)	\$588,000
Sewer	\$1,085,000	\$4,655,000
Water	\$787,000	\$965,000
Marinas	\$146,000	\$99,000
Sandy Neck	\$113,000	\$106,000
HYCC	\$154,000	\$409,000

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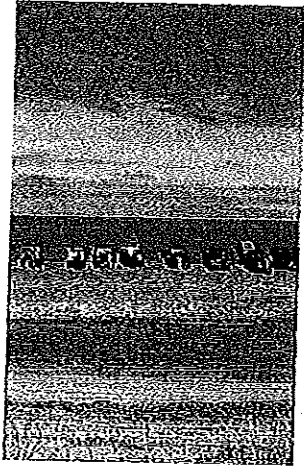
## Certification of Free Cash

Fund	July 1, 2013	July 1, 2014	Change
General Fund	\$11,095,664	\$13,370,039	\$2,274,375
Water Enterprise	\$2,347,933	\$1,827,720	(\$520,213)
Sewer Enterprise	\$12,070,153	\$14,838,692	\$2,768,539
Solid Waste Enterprise	\$3,428,957	\$4,010,757	\$581,800
Airport Enterprise	\$2,996,203	\$2,563,977	(\$432,226)
Golf Enterprise	\$387,901	\$500,742	\$112,841
Marina Enterprise	\$570,096	\$714,427	\$144,331
HYCC Enterprise	\$222,277	\$313,535	\$91,258
Sandy Neck Enterprise	\$611,448	\$569,512	(\$41,936)

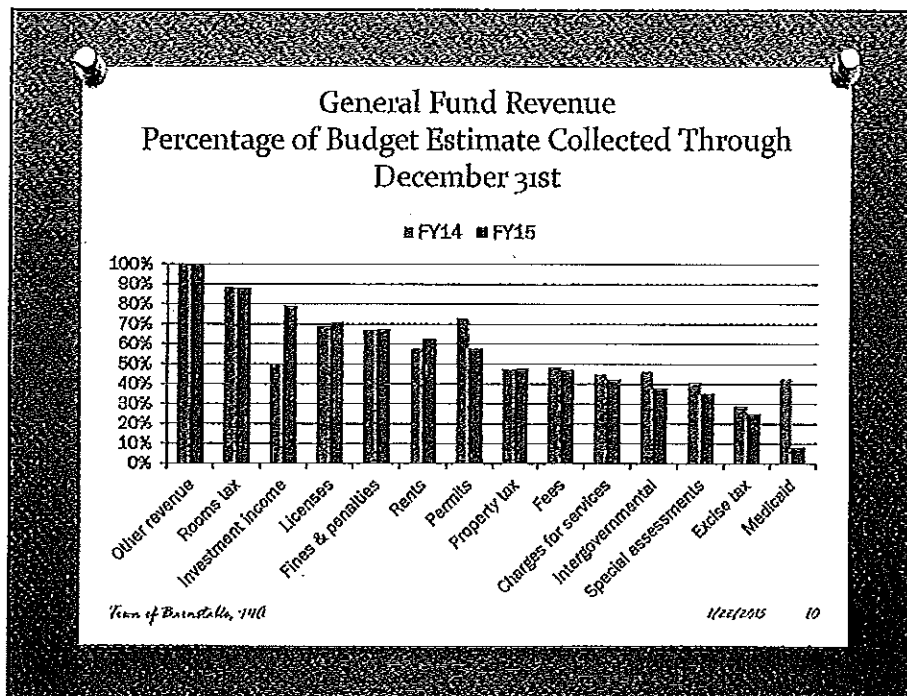
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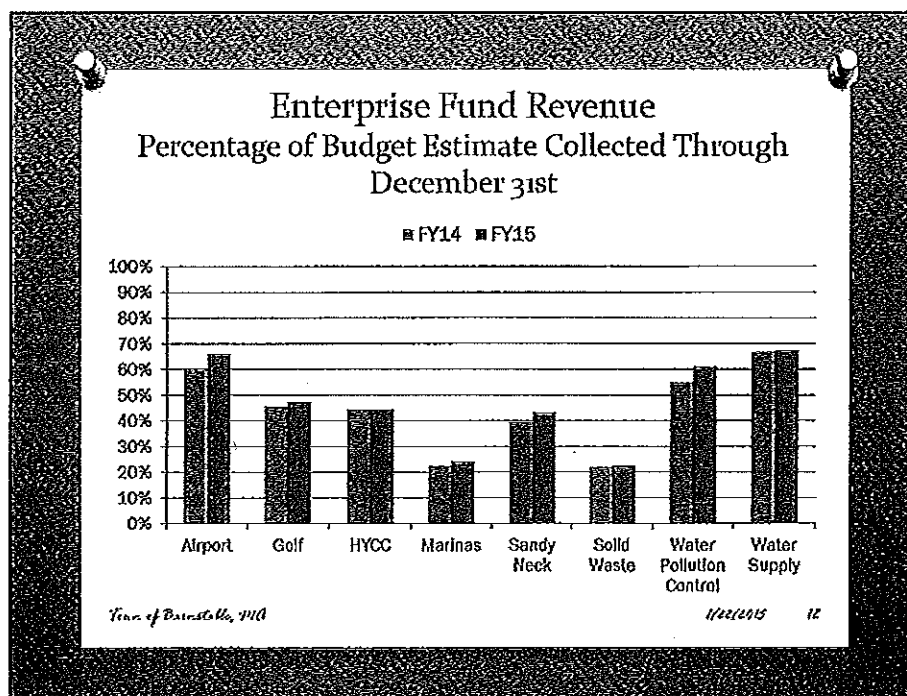
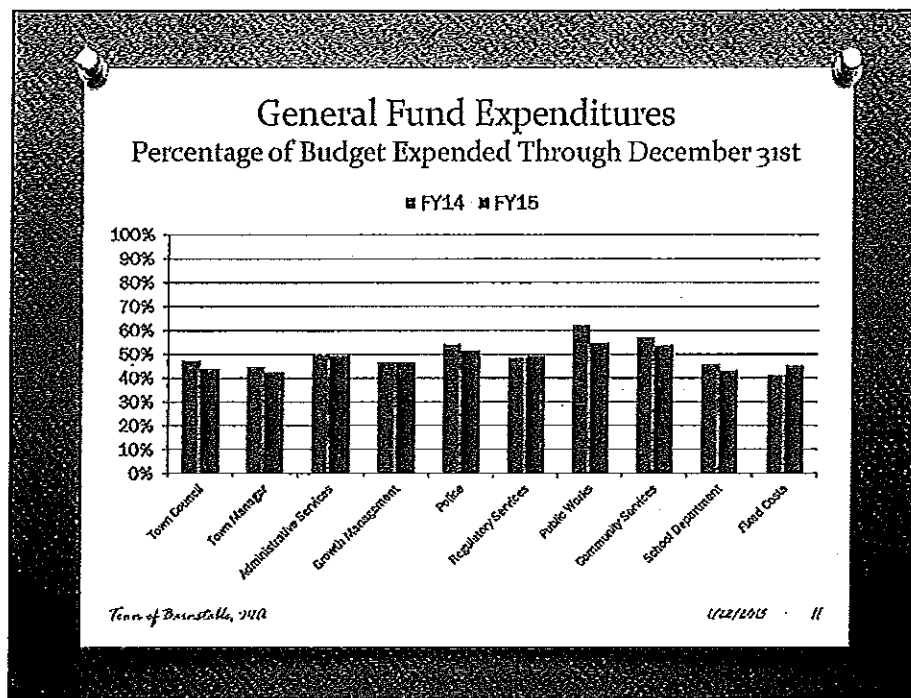


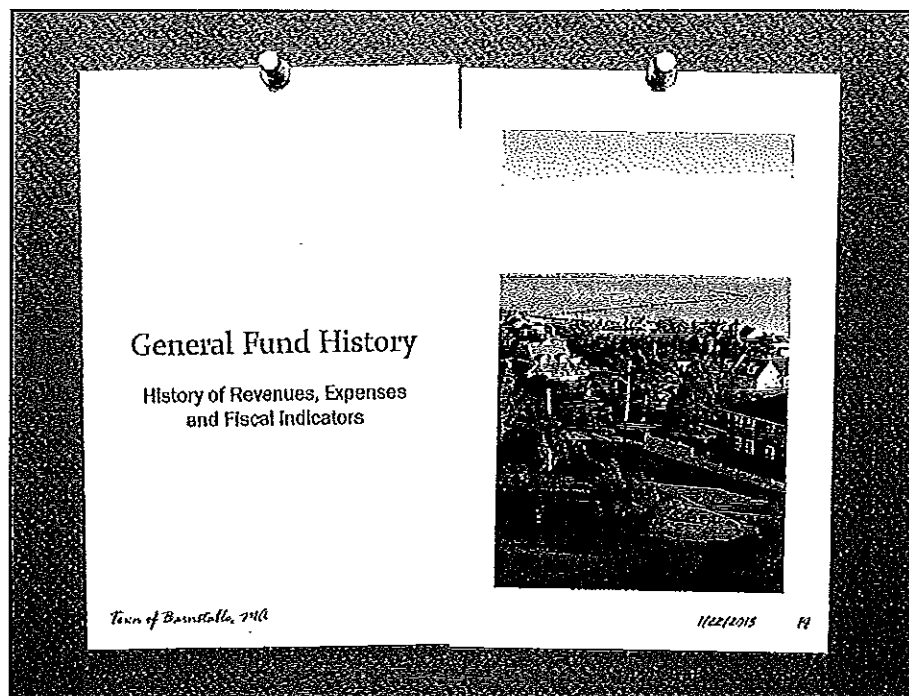
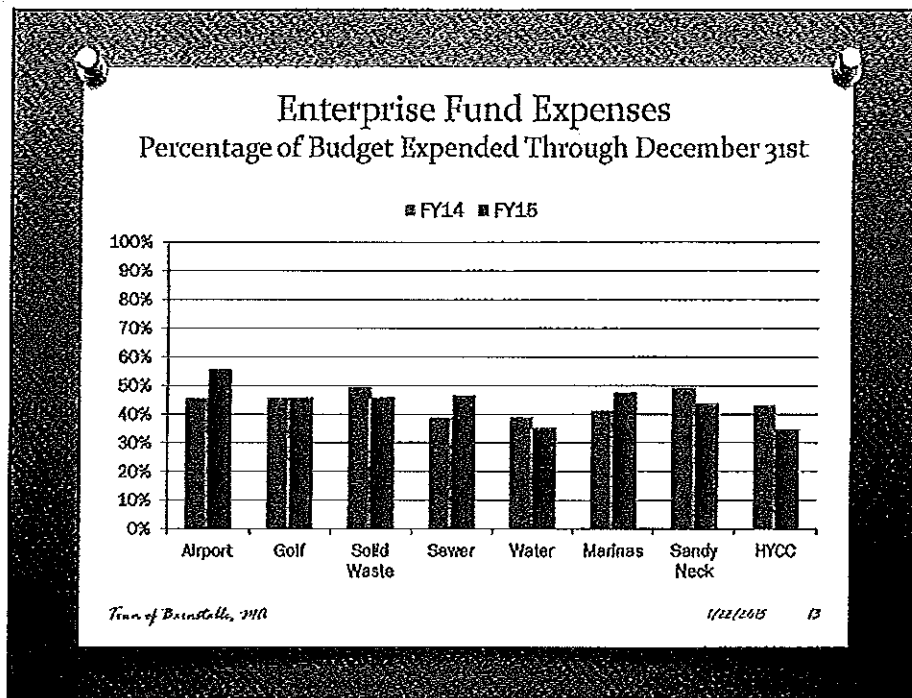
## Fiscal Year 2015 Update

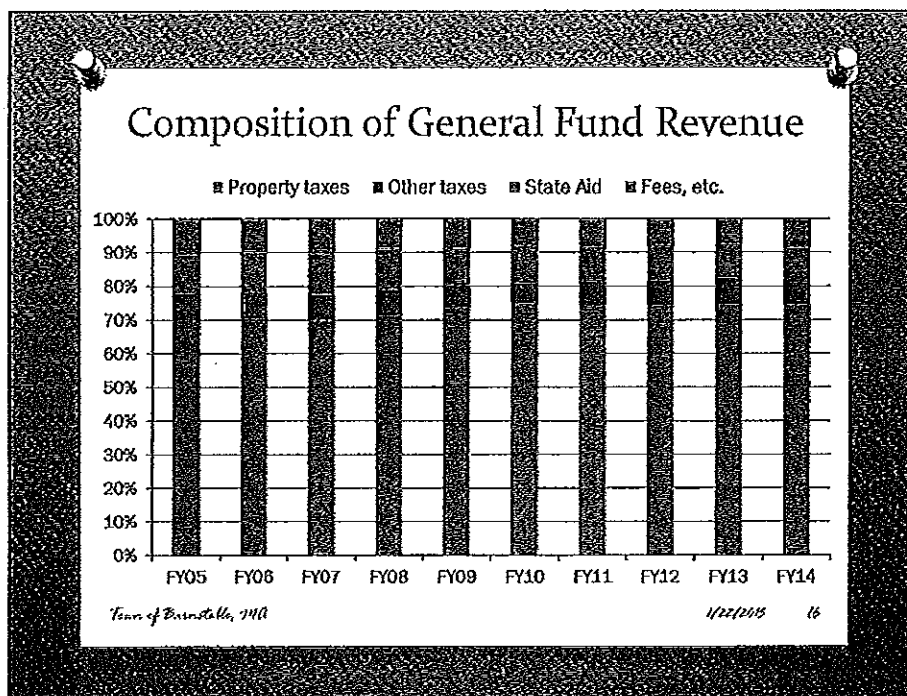
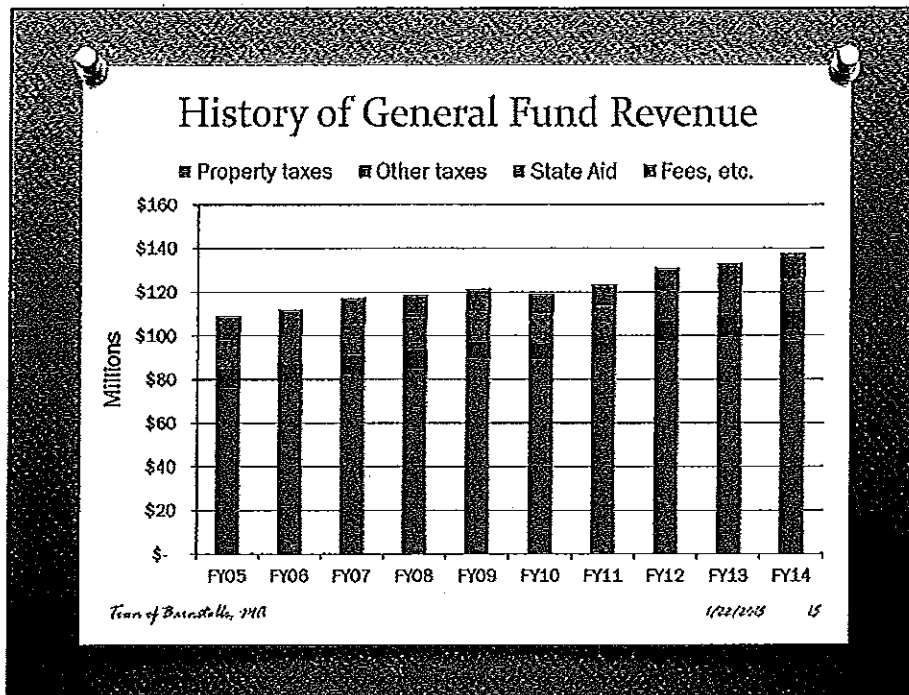


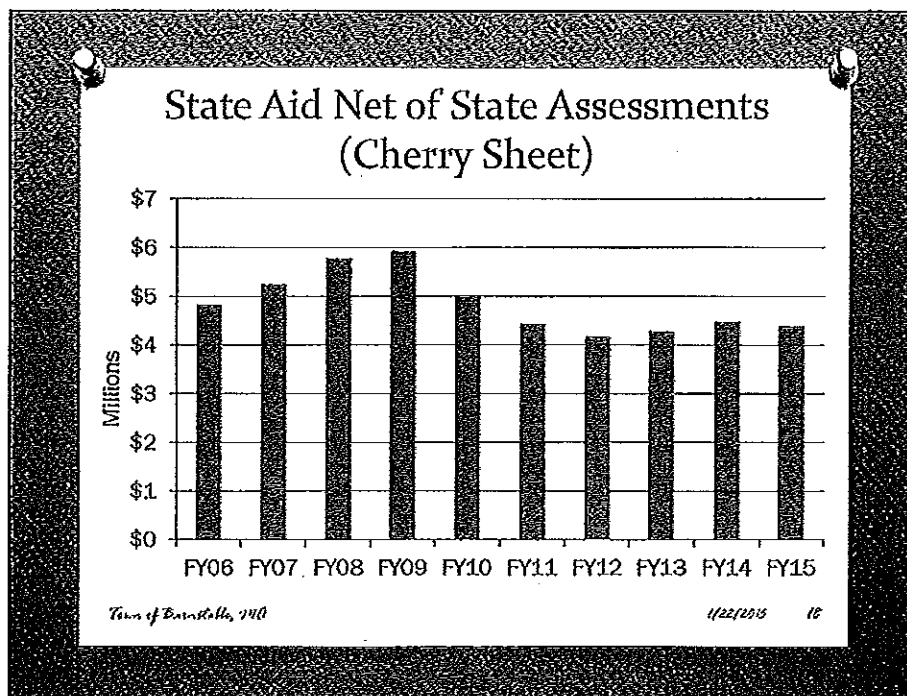
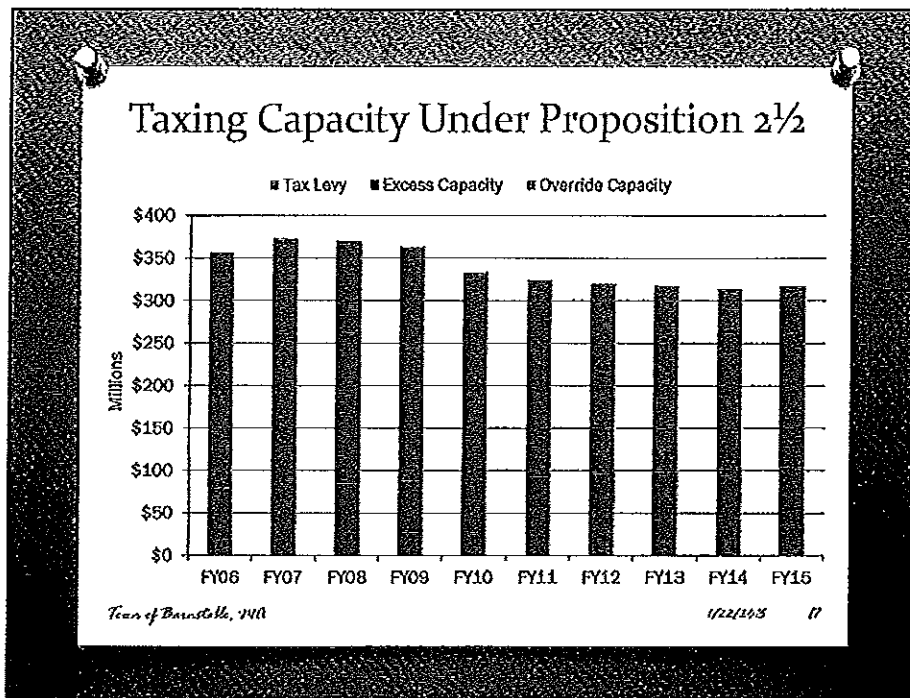
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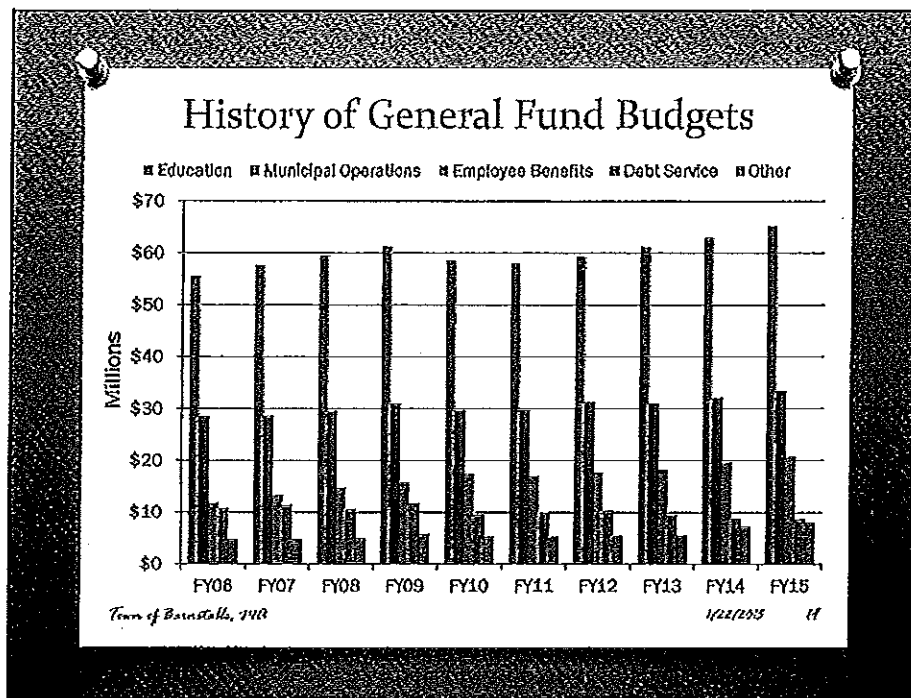












### Net School Spending (NSS) Requirements

FY	Required NSS	% Change	Actual NSS	% Change	Over (Under)	% Over (Under)
2006	\$53,133,177	3.6	\$56,003,897	8.2	\$2,870,720	5.4
2007	\$53,886,742	1.0	\$59,077,749	5.5	\$5,411,007	10.1
2008	\$53,193,630	-0.9	\$59,936,946	1.5	\$6,743,316	12.7
2009	\$52,377,514	-1.5	\$61,495,507	2.6	\$9,117,993	17.4
2010	\$53,189,694	1.6	\$58,980,446	-4.1	\$6,790,752	10.9
2011	\$52,082,556	-2.1	\$58,820,653	-0.6	\$6,538,097	12.6
2012	\$51,917,318	-0.3	\$60,262,102	2.8	\$8,344,784	16.1
2013	\$53,702,127	3.4	\$61,862,692	2.7	\$8,160,565	15.2
2014	\$55,193,835	2.8	\$65,306,537	5.6	\$10,112,702	18.3
2015	\$54,648,673	-1.0	\$67,836,611*	3.9	\$13,187,938	24.3

\*Estimated

Team of Barnstable, MA Sources: MA Dept. of Elementary & Secondary Education 1/22/2015 20

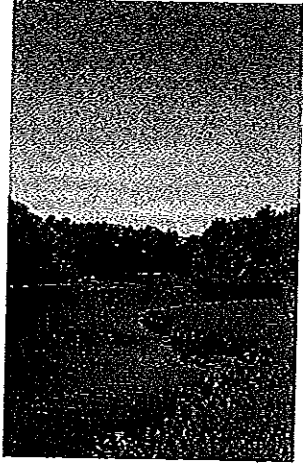
### Net School Spending Comparison (Actual % Over Required)

FY	Barnstable	Falmouth	Sandwich	DY Regional	Mashpee	Plymouth	Arlington	Needham
2006	5.4	14.3	7.8	14.4	22.4	13.9	25.1	29.2
2007	10.1	18.4	8.5	12.6	24.0	15.8	25.5	35.0
2008	12.7	22.7	15.0	18.6	21.3	18.6	29.6	35.6
2009	17.4	28.4	20.0	20.6	26.6	19.6	26.7	38.3
2010	10.9	30.3	17.5	17.3	24.0	17.1	29.2	44.7
2011	12.6	34.9	19.6	21.4	24.1	18.6	22.1	41.9
2012	16.1	36.7	20.1	20.9	28.9	18.4	32.2	39.8
2013	15.2	35.4	18.7	25.0	26.5	18.4	27.3	41.1
2014	18.3	29.7	22.6	25.2	29.4	18.8	21.5	42.8
2015	24.3	41.5	30.2	30.9	43.2	22.7	32.1	50.1

*Team of Barnstable, MA*      Source: MA Dept. of Elementary & Secondary Education      1/22/2015      21

### 10 Year Forecast FY 2016 Through FY 2025

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## Property Tax Debt Exclusions (For School Construction)

Fiscal Year	Loan Payments	Less: SBA Funding	Net Amount Added to Tax Levy	Change From Prior Year
FY16	\$4,464,947	(\$3,018,708)	\$1,446,241	\$150,799
FY17	\$4,420,803	(\$3,018,706)	\$1,402,097	(\$44,144)
FY18	\$4,367,609	(\$3,018,706)	\$1,348,903	(\$53,194)
FY19	\$4,318,972	(\$3,018,706)	\$1,300,266	(\$48,637)
FY20	\$832,000	(\$859,776)	(\$27,776)	(\$1,328,042)

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## General Fund Surplus - Continued

Certification Date	Beginning Balance	Used for: Operations	Capital	Savings Generated	Ending Balance
July 1, 2005 (FY 06)	\$11,362,903	(\$4,013,319)	(\$1,235,000)	\$7,326,981	\$13,441,565
Jul 1, 2006 (FY 07)	\$13,441,565	(\$3,677,630)	(\$2,235,000)	\$9,692,548	\$17,321,483
Jul 1, 2007 (FY 08)	\$17,321,483	(\$6,390,369)	(\$4,500,000)	\$1,501,616	\$7,932,730
Jul 1, 2008 (FY 09)	\$7,932,730	(\$1,930,000)		\$2,408,587	\$8,411,317
Jul 1, 2009 (FY 10)	\$8,411,317	(\$1,080,758)		\$3,416,013	\$10,746,572
Jul 1, 2010 (FY 11)	\$10,746,572	(\$1,195,000)	(\$2,000,000)	\$4,768,613	\$12,320,185
Jul 1, 2011 (FY 12)	\$12,320,185	(\$687,330)		\$5,639,538	\$17,272,393
Jul 1, 2012 (FY 13)	\$17,272,393	(\$3,579,836)	(\$7,000,000)	\$4,403,107	\$11,095,664
Jul 1, 2013 (FY 14)	\$11,095,664	(\$3,585,000)	(\$807,493)	\$6,666,868	\$13,370,039
Jul 1, 2014 (FY 15)	\$13,370,039	(\$2,100,000)	???	\$2,100,000	\$13,370,039

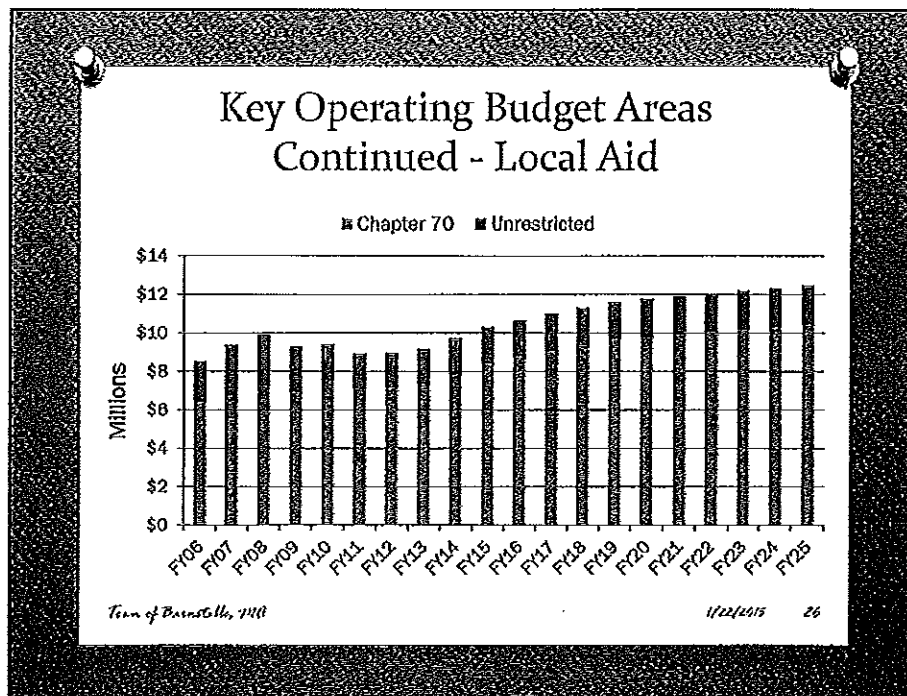
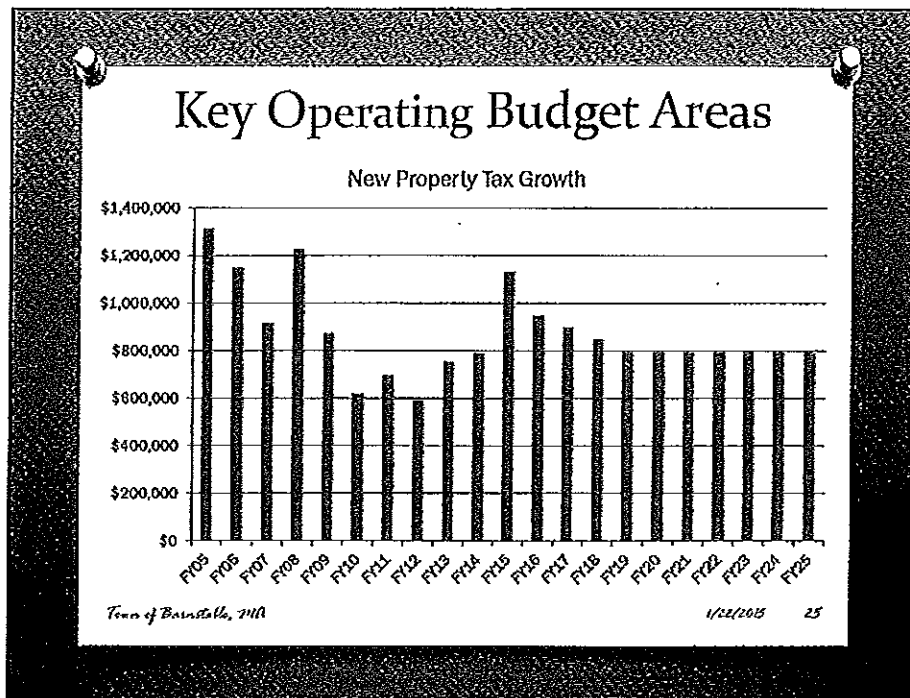
\*\$5. million of the \$13.4 million on July 1, 2014 is set aside for TC reserve.

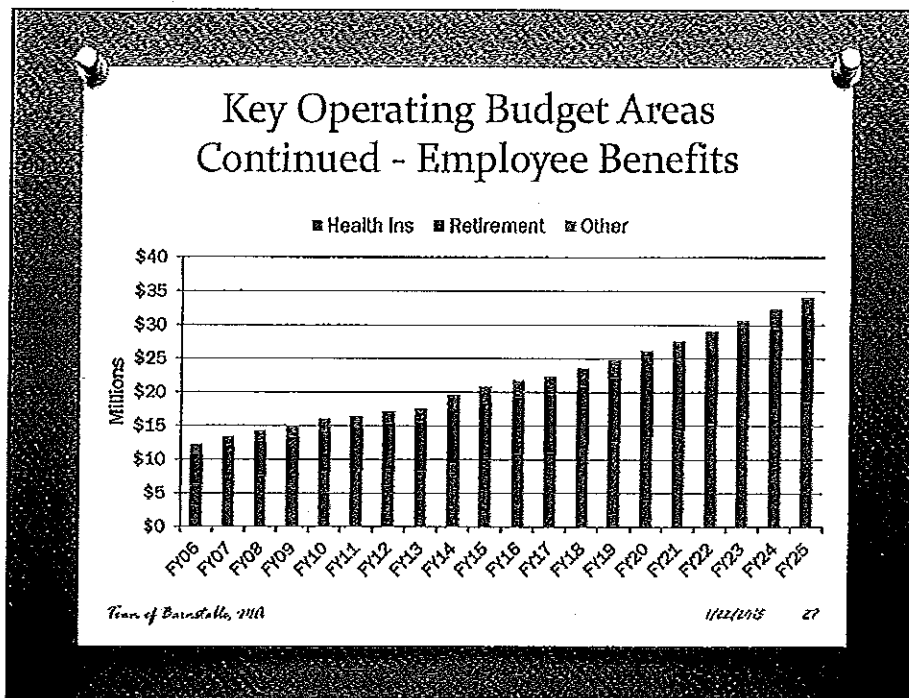
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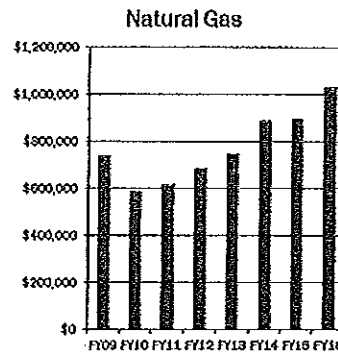
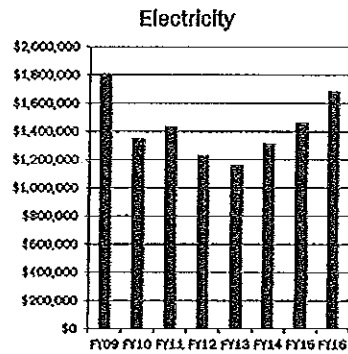


### Key Operating Budget Areas Continued - Unfunded Liabilities

- o Other post-employment benefits (OPEB) unfunded liability is \$130M @ 6/30/12
- o OPEB liability on the June 30, 2014 balance sheet grew \$4M to \$40M
  - o Town would have to increase annual appropriation \$4M per year to fully fund
- o Unfunded liability of the BCRS @ 1/1/14 = \$577M (increase of \$54M)
  - o Town of Barnstable is about 15.2% of system or \$88M of the unfunded liability

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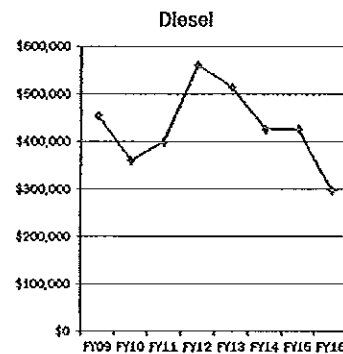
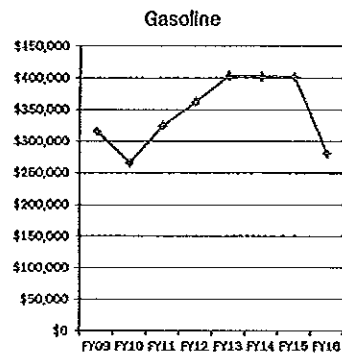
## Utilities



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## Gasoline & Diesel



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## Capital Budget Challenges

- o Clean Water
  - o Sewer collection system expansion and plant maintenance
  - o Water pipe replacement/expansion
  - o New well development
  - o Invasive species eradication
- o Facility Maintenance
- o Roads and Sidewalks
- o Dredging/Bulkheads/Ways to Water
- o Technology
- o Total submissions for next 5 years in excess of \$120M

Team of Barnstable, MA

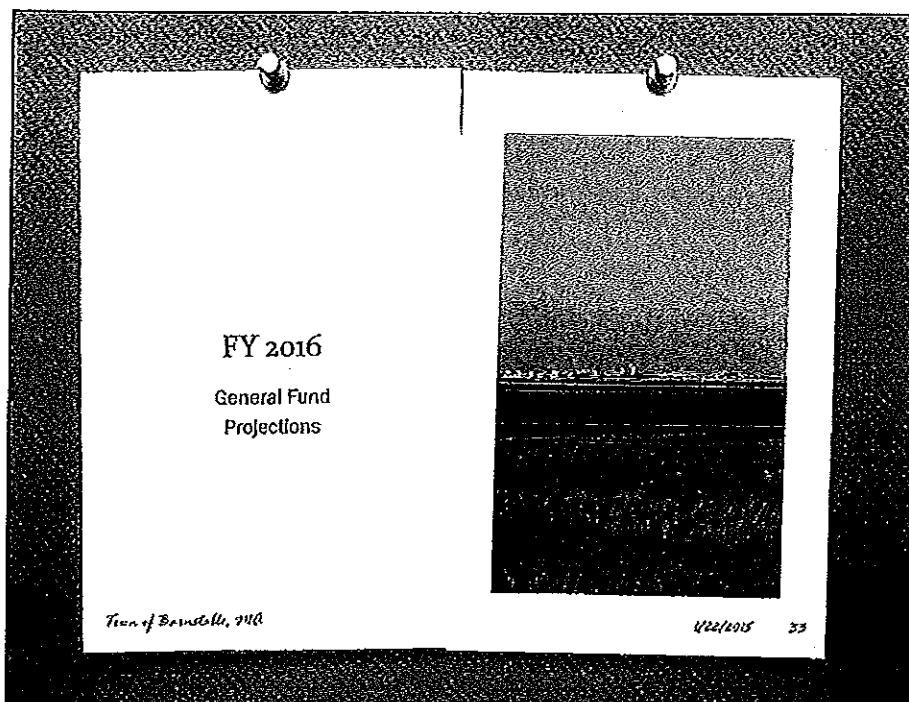
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## Capital Trust Fund Cash Flow Projection (millions)

	Beginning Fund Balance	Resources	Commitments	Ending Fund Balance
FY15	\$11.8	\$8.7	(\$8.9)	\$11.6
FY16	\$11.6	\$7.8	(\$9.0)	\$10.3
FY17	\$10.3	\$7.9	(\$8.5)	\$9.8
FY18	\$9.8	\$8.1	(\$8.2)	\$9.7
FY19	\$9.7	\$8.3	(\$8.0)	\$10.1
FY20	\$10.1	\$9.5	(\$7.6)	\$12.0
FY21	\$12.0	\$8.8	(\$7.2)	\$13.6
FY22	\$13.6	\$9.0	(\$6.7)	\$15.9
FY23	\$15.9	\$9.2	(\$6.5)	\$18.7
FY24	\$18.7	\$9.5	(\$6.0)	\$22.2

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General Fund Revenue Growth				
	FY 2015	FY 2016	\$ Change	% Change
Net property taxes	\$104,806,061	\$108,729,501	\$3,923,440	3.7%
Other taxes	\$7,276,137	\$8,173,650	\$897,513	12.3%
State aid	\$14,992,869	\$14,561,398	(\$431,471)	(2.9%)
All other	\$13,606,427	\$12,675,114	(\$931,313)	(6.8%)
Total	\$140,681,494	\$144,139,663	\$3,458,169	2.5%

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## Change in Fixed Costs

	FY 2015	FY 2016	\$ Change	% Change
School assessments	\$6,192,181	\$6,400,000	\$207,819	3.4%
Employee benefits	\$20,916,506	\$21,802,227	\$885,721	4.2%
Debt Service	\$8,678,407	\$8,617,314	(\$61,092)	(0.7%)
Other fixed costs	\$12,240,613	\$11,256,125	(\$984,489)	(8.0%)
<b>Total</b>	<b>\$48,027,707</b>	<b>\$48,075,666</b>	<b>\$47,959</b>	<b>0.09%</b>

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## FY 2016 Preliminary Revenue Allocation

	FY 2015	FY 2016	Change
Revenue	\$140,681,494	\$144,139,663	\$3,458,169
Fixed costs	(\$48,027,707)	(\$48,075,666)	(\$47,959)
<b>Balance available for operations</b>	<b>\$92,653,787</b>	<b>\$96,063,997</b>	<b>\$3,410,210</b>

	FY 2015	FY 2016	Change
Municipal operations	\$33,490,427	\$34,854,511	\$1,364,084
School operations	\$59,163,350	\$61,209,486	\$2,046,126
<b>Total</b>	<b>\$92,653,787</b>	<b>\$96,063,997</b>	<b>\$3,410,210</b>

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